

CAPRICORN DISTRICT MUNICIPALITY



TABLED BUDGET 2012/13 MTREF

BUDGET MTREF

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1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

The 2012/13 medium term budget was developed within the municipality budget framework, municipal budget and reporting frameworks and treasury guidelines.

The district funding model is based on grants and subsidies provided for by the national government. The grants are utilised to fund both operating and capital expenditure.

A total of **R 754.4m** for 2012/13 medium term is proposed comprising of **R 479m** for operating budget and **R 275,4m** for capital budget.

The budget was prepared in line with the National, provincial and district priorities to ensure that services are planned according to planning guidelines.

1.2. DEMOGRAPHICS

The municipality has five local municipalities namely Polokwane, Aganang, Blouberg, Molemole and Lepelle-Nkumpi. The district is largely made up of rural areas with a lot of infrastructural backlog.

Total population of the district is estimated at 1 243 167 with household of 285 565 with fifty five percent (55%) of economic population unemployed and 15% who did not attend school.

1.3. PAST PERFORMANCE

Capricorn District Municipality has significantly reduced its backlog on basic services provision. We have reduced our infrastructure backlog to 12.2% for water, 48.3% for sanitation (RDP level), 11.1% for electricity and 79.8% for roads.

The municipality has spent a total of R 428m on infrastructure projects from 2008/09 to 2010/11 financial year. We had further budgeted R 310m on infrastructure projects such as water, electricity, roads, sanitations and waste management for the 2011/12 financial year. Our level of spending on infrastructure is confirmed through the majority of households in the district having access to water and electricity.

Although access to infrastructure have improved the following challenges still remains:

- Quality of drinking water (blue drop status)
- Source of supply (mainly underground)
- Access to sanitation

- Unavailability of data on district roads- their conditions, access to road network to impact on investment, education and social conditions
- Refuse removal and solid waste management remains a challenge without municipal landfill sites

1.3.1. WATER AND SANITATION

We are currently water service authority in four municipality's areas except Polokwane. The water business is currently not sustainable as it is funded from grants only while collection is very low. The municipality has in the previous year's focusing on putting up systems in place in order to increase revenue from water.

A total of R 13.8m was unaccounted for as a result of water losses, unmetered consumption and unaccounted free basic water in the 2010/11 financial year. We have started in the 2011/12 financial year to refurbish old pipes and meters in Lebowakgomo. The projects will continue with the projects over a multi-year period.

Under spending on MIG grants has been a challenge in the 2010/11 financial year, with total spending on water provision of R 88m from R 144m reported in the 2009/10 financial year. Introduction of multi-year budgeting has commenced in the 2011/12 projects which has resulted in consulted been appointed for designs and planning of r 2012/13 projects.

1.3.2. ROADS AND TRANSPORT

The municipality has spent R 124m in the three past financial years to tar district roads. We are currently conducting a study on the condition of rural roads and transport accessibility with the district. The study will ensure that the municipality plans accordingly and will enable us to solicit for adequate funding.

Roads and Transport function is an unfunded mandate hence little budget has been put aside funded from equitable shares.

1.4. FINANCIAL PERFORMANCE (2010/11AND 2011/12)

The municipality in the previous financial year have regressed in terms of budget spending; hence multi-year budgeting is being implemented

The municipality does not have cash reserves in its holding. Investments of R66m held at year end were for the unspent grants of R75m and committed projects.

The district has improved its audit opinion in the 2010/11 financial year from disclaimer to qualified opinion. The biggest challenge in attaining good audit opinion is with regard to accounting for water transaction as stipulated in the Water service authority and provider agreement entered to by the district and four local municipalities.

BUDGET PERFORMANCE

Our budget was funded through grants in total of R788m for 2011/12 financial year and the total expenditure amounting to R872m. We budgeted for deficit as a result of increased depreciation charge realised from implementation of Grap 17 accounting standard.

66% of conditional grants were spent in the 2010/11 financial year. Under spending on conditional grants is attributable to lack of future planning and effective project management. Implementation of multi-year planning has commenced in the current financial year to eliminate non-spending challenges.

The budget is funded from grants and subsidies. Water debtors have increased due to low collection rate, which has resulted in increased debt impairment.

Funding assessment was conducted and the negative balance realised was because of commission payable accrued to the water service providers (WSP). The accrual is assessed annually and is offset against the bad debt provision and writes off. Servicing of long outstanding debts has slightly improved Therefore the municipality budget is adequate financed.

1.5 BUDGET SUMMARY 2012/13 MTREF

1.5.1. Operating Budget

The operating budget increased by 13% from R 425m to R479m in the 2011/12 and 2012/13 financial years respectively. The budget increased in the 2011/12 budget compared to the 2012/13 financial year. The budgetary constraints realised in the 2012/13 medium term budget is due to high dependency on grant funding.

The municipality is currently the water services authority with four local municipalities operating the water business as water services provider. We have budgeted in the current year for revenue raising strategies, development and enforcement of bylaws and improving our billing systems. The projects are aimed at increasing the revenue of the district.

1.5.2. Capital Budget

Our capital budget spending is projected at around R 825.6m over the next three years. The 2012/13 financial year capital budget was mainly funded by grants.

1.5.3. Funding Model

- The budget has been funded through conditional and unconditional grants.
- Equitable shares has been appropriated to both operating and capital budget,
- Capital replacement reserve fund policy will be developed in 2011/12 financial year with an intention of putting funds aside for refurbishing of ageing water infrastructure and proving new infrastructure in the future.
- Future Vat reclaimed from conditional grants will be directed towards capital replacement reserve fund from the beginning of 2012/13 financial year.

1.5.4. Budget Analysis

Personnel cost amounts to 40.7% of the operating revenue. The municipality is planning to reduce the percentage after the implementation of organisational restructuring projects currently underway.

Bulk water purchases totalled 11% of the operating budget and 11.2% was budgeted for repairs and maintenance.

1.5.5. Capital Budget outlook and Challenges

Our capital budget will realise a positive growth in the 2012/13 MTREF period. The municipality will spent a total of R 825.6m for MTREF of infrastructure assets, 54% of our budget on water infrastructure, 16% on sanitation programmes, 17% of landfill sites and environmental projects and 13% on electricity and roads.

1.5.5.1. WATER

A total of R 193m was set aside for water infrastructure projects, this budget constitute 70% of the total 2012/13 capital budget. A further R6m is budgeted for water quality programmes together with securing and electrifying our boreholes.

Although the municipality is spending a lot of its budget on water, there are serious challenges relating to water in the district:

- The district is water scarce, as it does not have many primary sources of water

- 80% of the population is dependent on ground water. The capacity of boreholes is compromised as the ground water is drying out and engines are being stolen.

Intervention

- The municipality is exploring on accessing bulk water supply from Matoks, Flag boshielo and glen alpine schemes. Feasibility studies have been done and a total of R3m is put aside towards social economic study on the three schemes.

1.5.5.2. Sanitation

A total of R11.3m is set aside for waste water treatment works for the medium term for sanitation projects. The sanitation backlog is currently the largest in the district. The municipality requires a huge amount of money to clear the 48.3% sanitation backlog.

The municipality has set aside R45m over the medium term to provide household sanitation within the district

2. BUDGET PROCESS

The budget process as stipulated in MFMA is an effective process that must be undertaken to ensure good governance, planning and accountability. The process outlines the direction that the municipality should take in order to meet the legislative time-lines for approval of budget.

It further enables the municipality to fully consult all its stakeholders.

The budget process plan was incorporated with the IDP process plan and the steering committee was appointed to oversee the process. Budget steering committee meetings were held as per schedule of meetings in the IDP/Budget framework.

The process commenced with the adoption of the process plan by 25 august by the Council.

Council adopted the IDP/budget process plan with the following time-lines

PLANNING PHASE

ACTIVITY	PERIOD	PROGRESS
Review of previous year organizational performance on IDP and Budget	13 July 2011	Completed
Approval of the IDP/Budget process plan	25 th August 2011	Completed
Tabling of the annual performance report, policy review process plan, and SDBIP process plan	25 th August 2011	Completed
Finalise analysis phase of the IDP	31 st October 2011	Completed

STRATEGY PHASE

Departmental strategic planning session.	21 st November to 09 December 2011	Completed
Tabling of the budget framework to mayoral committee and council	09 December 2011	Completed

PREPARATION PHASE

Budget submissions, both operating and capital	07 January 2012	Completed
Preparation of the draft budget and IDP working documents	28 February 2012	Completed
Budget related policy review	03 January- 23 March 2012	Completed

TABLING, CONSULTATION AND ADOPTION PHASES

Tabling of 2010/11 draft annual report	January 2012
Public consultations on 2010/11 annual report	January – February 2012
Draft budget and IDP approved by council	27 March 2012
Public-participation on draft budget and IDP	17 April- 25 April 2012
Approval of 2012/13 IDP/Budget MTREF	18 May 2012

CAPRICORN DISTRICT MUNICIPALITY



**EXTRACT FROM THE
MINUTES OF COUNCIL
MEETING HELD ON**

**: OC 04/2011
: 29 MARCH 2012**

OC 04/11/8.1

Draft IDP/Budget and SDBIP 2012/13

Council approved the Draft IDP/Budget 2012/13 for public participation process and noted the Service Delivery and Budget Implementation Plans.

**CERTIFIED A TRUE EXTRACT
FROM THE MINUTES**


**CLR NM LEKGANYANE
COUNCIL SPEAKER**

10/04/2012
DATE

QUALITY CERTIFICATE

I, **NGOAKO DANIEL MOLOKOMME** municipal manager of **Capricorn District Municipality**, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name


Ngoako Daniel Molokomme

Municipal Manager of

Capricorn District Municipality

(Name and demarcation code of Municipality)

Signature



Date

2012/04/10